



OFFICE OF THE
SECRETARY

2019 JUN 14 PM 1:17

Ronald Mason, Jr., J.D.
President

June 14, 2019

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Chairman Mendelson:

Please find enclosed for consideration and approval by the Council of the District of Columbia (the "**Council**"), a sublease agreement for the property located at 3100 Martin Luther King, Jr. Avenue, S.E., Washington, DC between Old Congress Heights School Redevelopment Company, LLC, as sublandlord, and the Board of Trustees of the University of the District of Columbia, as subtenant, pursuant to D.C. Official Code § 1-204.51(b). The leased premises would be occupied by the University's Community College and Workforce Development & Lifelong Learning programs.

The proposed lease would also allow three of the University's sites (United Medical Center, Shadd and Patricia R. Harris Education Center) to share space there. The size of the space to be leased is approximately 71,800 rentable square feet for an initial lease term of fifteen (15) years with two (2) options to purchase, at the end of the 6th year of the sublease term and at the end of the sublease term. The Agreement also includes two (2) options to extend the sublease term by five (5) years each, should the University not exercise the option to purchase. The building's base rent during the first year is \$2,082,200 with a 2.75% escalation in subsequent years except years 5 and 10. Years 5 and 10 each will experience a \$3 rent rate increase. It is anticipated the operating cost will total \$736,000 annually. This brings the total first year cost to \$2,818,200.

I urge the Council to take prompt and favorable action and am available to discuss any questions you may have regarding this proposed lease. In order to facilitate a response to any questions you may have regarding this proposed lease, please have your staff contact Mr. Erik L. Thompson, our Vice President of Capital Assets and Real Estate Services at 202-274-5600. I look forward to your favorable consideration of the proposed action.

Sincerely,

Ronald Mason, Jr.
President

Enclosures

ASPIRE. ACCOMPLISH. TAKE ON THE WORLD.

4200 Connecticut Avenue, NW — Washington, District of Columbia 20008
Phone: 202.274.6016 • www.udc.edu • Facsimile: 202.274.5304

GOVERNMENT OF THE DISTRICT OF COLUMBIA



COUNCIL REAL ESTATE CONTRACT SUMMARY

Please note that any capitalized term used but not defined in this Summary shall have the meaning given to such term in the proposed real estate contract.

- 1. The name of the proposed lessor, lessee, grantor or other party to the proposed real estate contract, the type of real estate contract, the source selection method, the primary term of the real estate contract (if applicable), and the consideration to be paid by the District (for leases, the total annual rent for the first year and the fiscal years set forth in the Funding Certification):**

Contract Party Name: Old Congress Heights School Redevelopment Company, LLC, a District of Columbia limited liability company ("Landlord")

Type of Real Estate Contract: Sublease Agreement ("Lease")
(lease agreement where University of the District of Columbia (the "University") is "Tenant")

Location of Real Property: 3100 Martin Luther King, Jr. Ave. S.E., Washington DC (the "Property")

Source Selection Method: Competitive (Landlord's selection)

Primary Term (if applicable): 15-Year Term

Consideration to be paid by University (if applicable):

- First Lease Year: \$2,818,200.00. This amount includes base rent and estimated operating costs.

- Certificate of Funding Amounts:

(See Next Page)

Certificate of Funding Amounts:

Fiscal Year 2019	\$234,850	(LY 1 Commences September 1, 2019 – Sept 30, 2019 (1 month))
Fiscal Year 2020	\$2,824,812	Rent and Operating Costs
Fiscal Year 2021	\$2,904,339	""
Fiscal Year 2022	\$2,986,108	""
Fiscal Year 2023	\$3,082,956	""
Fiscal Year 2024	\$3,310,264	""
Fiscal Year 2025	\$3,403,373	""
Fiscal Year 2026	\$3,499,104	""
Fiscal Year 2027	\$3,597,532	""
Fiscal Year 2028	\$3,710,362	""
Fiscal Year 2029	\$3,942,666	""
Fiscal Year 2030	\$4,053,496	""
Fiscal Year 2031	\$4,167,446	""
Fiscal Year 2032	\$4,284,605	""
Fiscal Year 2033	\$4,405,061	""
Fiscal Year 2033	\$4,141,796	""

If the real estate contract is a lease, a breakdown of the Annual Rental for the first Lease Year set forth above, the scheduled escalations thereof and known first Lease Year Additional Rent obligations (e.g., parking and supplemental HVAC costs):

Components of Annual Rental	\$/RSF	Total Amount for First Lease Year	Annual Escalations after First Lease Year
Net Rental	\$29.00	\$2,082,200.00	2.75% annually (except LY5 & LY10 are \$3 increases)
Operating & Maintenance Costs	\$10.25	\$736,000.00	3%
Total Annual Rental	\$39.25	\$2,818,200.00	N/A

Known Additional Rent Obligations for First Lease Year			
N/A	\$	\$	N/A

2. **If the real estate contract is a lease, a description of any options to renew the primary lease term set forth above, the contract amount for the primary lease term and each option period (and an explanation of any difference), and a description of any options to purchase the real property:**

The proposed Lease includes two (2) purchase options that may be exercised at the end of lease year 6 and at the end of the initial term. The Lease also includes two 5-year options to extend the term.

3. **A description of the real property to be acquired, developed or leased, including any applicable improvements:**

Street Address:	<u>3100 Martin Luther King Avenue S.E., Washington DC</u>
Square/Lot Number:	<u>Square W-5954 Lot 1</u>
Total RSF of Building:	<u>71,800</u>
Total RSF of Premises:	<u>71,800</u>
Description of Improvements:	<u>Improvements will accommodate University oriented education, workforce development, community college and auxiliary services</u>

4. **A description of the University's specific real property need associated with the proposed real estate contract and the selection process, including the number of offerors, the evaluation criteria, and the evaluation results, including price, technical or quality, and past performance components:**

The University's Community College has supported the growth and development of the District's workforce development programs. The University's satellite locations are strategically located to offer relevant professional developmental courses and certificates for District residents. In order to remain relevant for generations to come, our facilities must expand to meet the ever-growing needs of the academic environment and community. The Property offers a unique opportunity to consolidate three of the University's locations (ie, United Medical Center, Shadd, and Patricia R Harris) and swing into one central location. This consolidation will facilitate programmatic enrollment, community development goals, and accelerate key initiatives of the Equity Imperative for the University's Community College and Workforce Development & Lifelong Learning.

On or about April 2019, the Landlord selected the University as its preferred tenant for the property, subject to terms acceptable to both parties, memorialized in a definitive lease agreement and all required approvals.

5. **The background and qualifications of the proposed contract party, including its organization, financial stability, personnel, and performance on past or current real estate contracts with requirements similar to those of the proposed contract:**

The Landlord, Old Congress Heights School Redevelopment Company, LLC, is a District of Columbia limited liability company with the sole purpose of owning and operating the real estate improvements located at 3100 Martin Luther King, Jr. Ave S.E., Washington, DC.

6. **Expected outcomes of the proposed real estate contract:**

The approval of the proposed Lease is expected to result in the University's occupancy of the subject Property for an initial 15-year term, unless the University elects to exercise its purchase option at the end of the 6th lease year.

7. **A statement that suitable space owned by the District is not available or cannot be reasonably renovated or altered:**

Based upon an evaluation of space owned by the District or the University, there is no suitable space, whether as-is or which can reasonably be renovated or altered, which would meet the needs of the University under the proposed real estate contract. The available square footage, strategic location and the consolidating locations provide a strong rationale for this Property's use by the University.

8. **ANC notice of the proposed real estate contract:**

The University has received letters in support of its intended use of the Property from substantially all the commissioners of ANC 8C regarding the proposed real estate contract, as required by applicable law. The notice provided the ANC with an opportunity to provide written recommendations regarding the proposed contract within thirty (30) business days. Pursuant to applicable law, the University has provided such notice and affords great weight to the issues and support raised in the ANC recommendations and considerations. Please see the attached letters of support from six of the seven commissioners of ANC 8C.

9. **A certification that the proposed real estate contract is within the appropriated budget authority for the University for the fiscal year and is consistent with the financial plan and budget adopted in accordance with §§ 47-392.01 and 47-392.02:**

The Office of the Chief Financial Officer for the University has certified the availability of funds for the proposed real estate contract. Please see the attached Funding Certification.

10. **A certification that the proposed real estate contract is legally sufficient:**

The Office of the General Counsel for the University has certified that the proposed real estate contract is legally sufficient. Please see the attached Legal Sufficiency Certification.

11. A certification as to whether the proposed contract party has any currently pending legal claims against the District:

According to the University's Office of the General Counsel and based upon a certification from Landlord, Landlord does not have any legal claims currently pending against the District.

12. A certification that the Citywide Clean Hands database indicates that the proposed contract party is current with its District taxes:

The proposed contract party is current with its District of Columbia taxes. Please see the attached Citywide Clean Hands certificate.

13. A certification from the proposed contract party that it is current with its federal taxes, or has worked out and is current with a payment schedule approved by the federal government:

Based upon a certification from Landlord, Landlord is current with its federal taxes, or has worked out and is current with a payment scheduled approved by the federal government.

14. The status of the proposed contract party as a certified local, small, or disadvantaged business enterprise, as defined in subchapter IX-A of Chapter 2 of title § 2-218.01 et seq.:

The proposed contract party is not a certified business enterprise.



Government of the District of Columbia


CERTIFICATE OF CLEAN HANDS

**OLD CONGRESS HEIGHTS SCHOOL REDEVELOPMENT CO
3215 MARTIN LUTHER KING JR AVE SW AVE S
WASHINGTON, DC**

EIN : ***4702**

As reported in the Citywide Clean Hands system, the above referenced individual or entity has no outstanding liability with the District of Columbia. As of the date herein, you have complied with the following official DC code and therefore are issued this Certificate of Clean Hands.

TITLE 47. TAXATION, LICENSING, PERMITS, ASSESSMENTS AND FEES
CHAPTER 28. GENERAL LICENSE LAW
SUBCHAPTER II. CLEAN HANDS BEFORE RECEIVING A LICENSE OR PERMIT
D.C. Code § 47-2862 (2006)
§ 47-2862. Prohibition against issuance of license or permit.



Authorized By Marc Aronin
Chief, Collection Division

Date: Tuesday this 4th day of June 2019 03:31 PM


Tracking#: 1039429


This document is a certified, complete and true copy.



Office of the Chief Financial Officer

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

THRU: Deloras Shepherd 
Associate Chief Financial Officer, Education Cluster

FROM: Munetsi Musara 
Chief Financial Officer, University of the District of Columbia

DATE: June 11, 2019

RE: Proposed Sublease Agreement for the Old Congress Heights Property located at 3100 Martin Luther King, Jr. Ave. S.E. Washington D.C.

Conclusion:

The University of the District of Columbia (University) has the available funding in the capital budget to support the lease payments and in the operating budget and fund balance to support operating costs associated with years 1 – 6 of the proposed sublease agreement for the Old Congress Heights property located at 3100 Martin Luther King, Jr. Ave. S.E. Washington D.C. The University will fund the remaining term of the lease utilizing operating funds beginning in year 7 of the lease term if it is determined that the property is no longer required as swing space and the University opts to remain in the property and utilize it for other continuing operations.

Background:

The Board of Trustees ("Board") of the University of the District of Columbia passed Resolution No. 2019-24 on June 4, 2019 which provided approval of a proposed sublease agreement for property located at 3100 Martin Luther King, Jr. Ave. S.E. between Old Congress Heights School Redevelopment Company LLC and the University. This space is intended to initially be used as swing space to consolidate operations currently located at the United Medical Center, Shadd and Patricia R. Harris locations into one site while the planned capital renovations occur at the Backus location.

The lease comprises of an initial fifteen year term with two options to purchase the property at the end of the 6th year of the sublease and at the end of the sublease, year 15, and two 5-year extension options for the sublease should the purchase option not be exercised.

The cost categories associated with this lease agreement are summarized below:

Lease Year	Rent Payments	Operating Costs
1	2,082,200	919,545
2	2,139,461	947,131
3	2,198,296	975,545
4	2,258,749	1,004,812
5	2,474,149	1,034,956
6	2,542,188	1,066,005
7	2,612,098	1,097,985
8	2,683,931	1,130,924
9	2,757,739	1,164,852
10	2,973,139	1,199,798
11	3,054,900	1,235,792
12	3,138,910	1,272,865
13	3,225,230	1,311,051
14	3,313,924	1,350,383
15	3,405,057	1,390,894

The University expects to use the property as swing space for the first 6 years of the lease term and will fund each cost category as follows:

- Utilize Capital Funds to pay for the \$13,695,043 in lease payments
- Utilize Operating Funds and fund balance to pay for the \$5,947,994 in operating costs

At the end of year 6, the University plans to reevaluate whether the property will still be required for swing space and if so resubmit a request to utilize the capital budget to fund the rent payments. If the determination is made that it is no longer required as swing space and the University opts to remain in the property and utilize it for other continuing operations, the remaining rent payments and operating costs will be funded by operating funds beginning in year 7 of the lease term.

Financial Impact:

The \$13,695,043 in rent payments for years 1 – 6 of the lease term was deemed eligible for capital funding, as the University intends to utilize the space at 3100 Martin Luther King, Jr. Ave. S.E. as swing space to consolidate the sites from United Medical Center, Shadd and Patricia R. Harris while the University completes its planning and construction of a new building at the Backus location. The University has sufficient available budget in capital funds to cover this cost.

For the \$5,947,994 in operating costs over this same period, the University has identified a combination of operating funds and fund balance to pay for these and sufficient budget has been allocated to cover the operating costs associated with this lease.

Attachments:

1. Board of Trustees UDC Resolution No. 2019-24
2. Proposed Sublease Agreement between Old Congress Heights School Redevelopment Company, LLC and UDC
3. UDC Financial Impact Statement

CERTIFICATE

To: The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

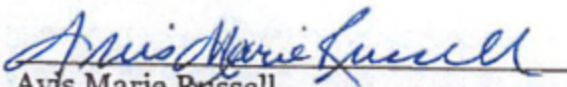
From: Ms. Avis Marie Russell
Acting General Counsel

Re: Legal Sufficiency Certification – Proposed Sublease Agreement for approximately 71,800 rentable square feet of space at the Property Located at 3100 Martin Luther King, Jr. Avenue, SE, Washington, DC between Old Congress Heights School Redevelopment Company, LLC, as Sublandlord, and the Board of Trustees of the University of the District of Columbia as Subtenant ("Sublease").

Date: June 7, 2019

This is to certify that this Office has reviewed the above referenced Sublease and that we have found such contract to be legally sufficient subject to submission of any required materials and Council approval.

If you have any questions, please do not hesitate to contact me at (202) 274-5604.

By: 
Avis Marie Russell
Acting General Counsel
University of the District of Columbia

**BOARD OF TRUSTEES
UNIVERSITY OF THE DISTRICT OF COLUMBIA
UDC RESOLUTION NO. 2019-24**

SUBJECT: Approval of a Sublease Agreement for the Property Located at 3100 Martin Luther King, Jr. Avenue, SE, Washington, DC between Old Congress Heights School Redevelopment Company, LLC, as Sublandlord, and the Board of Trustees of the University of the District of Columbia as Subtenant (the "Sublease Agreement")

WHEREAS, pursuant to D.C. Code § 38-1202.1(a)(5) and (6), the Board of Trustees ("Board") possesses all powers necessary or convenient to accomplish its statutorily prescribed objects and duties, including the power to make, deliver, and receive deeds, leases and other instruments and to take title to real and other property in its own name; and

WHEREAS, pursuant to 8B DCMR §2100.1, the President of the University of the District of Columbia ("University"), subject to Board approval, is authorized to enter into real estate lease agreements with any person, partnership, corporation, or other entity; and

WHEREAS, pursuant to 8B DCMR §2100.3, the President shall lease as he deems to be in the interest of the University and necessary for the accommodation of University activities; and

WHEREAS, pursuant to 8B DCMR §2100.7 and §2100.8 acquisition of space by lease will be by negotiation, and on the basis most favorable to the University with due consideration to maintenance and operation efficiency and only at charges consistent with prevailing scales in the community for comparable facilities; and

WHEREAS, pursuant to 8B DCMR §2100.9, approval of the Board is required for all leases and lease renewals; and

WHEREAS, leasing the approximately 71,800 rentable square feet of space at 3100 Martin Luther King, Jr. Ave SE is necessary for the accommodation of the University's needs for additional space for educational and administrative functions; and

WHEREAS, the Sublease Agreement was negotiated and the Administration has determined that the terms in the Sublease Agreement are most favorable to the University with due consideration to maintenance and operation efficiency and that the charges are consistent with prevailing scales in the community for comparable facilities; and

WHEREAS, the Sublease Agreement terms include an initial term of fifteen (15) years with two (2) options to purchase the Property at the end of the 6th year of the sublease term and at the end of the sublease term and two (2) options held by the

University to extend the sublease term by five (5) years each, should the University not exercise the option to purchase; and

WHEREAS, the Sublease Agreement and any future exercise of any lease renewal option or purchase option by the University will require the approval of the Board and the Council of the District of Columbia ("Council") prior to entering into the Sublease Agreement and at the time such option is exercised, respectively.

NOW THEREFORE, BE IT RESOLVED, that, subject to the required approval of the Council, the Sublease Agreement, substantially in the form attached hereto as Appendix A, is approved by the Board in accordance with 8B DCMR §2100.1, and the President is hereby authorized to enter into the Sublease Agreement, substantially in the form attached hereto as Appendix A, on behalf of the Board; and

BE IT FURTHER RESOLVED, that as soon as practicable, the President is hereby directed to transmit the Sublease Agreement to the Council for its approval.

Submitted by the Operations Committee:

May 21, 2019

Approved by the Board of Trustees:

June 4, 2019


Christopher Bell
Chairperson of the Board